

## Message Text

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PAGE 01 STATE 126784

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ORIGIN EB-03

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DRAFTED BY EB/IFD/OIA:CNELLIS/NSC:SLOW /FJDEVINE

APPROVED BY THE ACTING SECRETARY

L/ARA: MR. GANTZ

L/EB: MR. BOND

ARA/NC: MR. FORRESTER

MEMBERSHIP OF EXPROPRIATION GROUP

ARA:JBKUBISCH

EB:TOENDERS

S/S:WHLUERS

----- 018709

O 140041Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 126784

LIMDIS

E.O. 11652: GDS

TAGS: EIND, EFIN, VE

SUBJECT: VENEZUELAN ECONOMIC NATIONALISM

-

REF: (A) STATE 106608

(B) STATE 100872

FOR AMBASSADOR FROM ACTING SECRETARY

1. YOU ARE AUTHORIZED TO DISCUSS THIS MATTER WITH PRESIDENT PEREZ IN NEAR FUTURE, AT HIS INITIATIVE OR YOURS. THIS GUIDANCE REFLECTS DISCUSSION OF USG INTERESTS IN VENEZUELA IN LIGHT OF ECONOMIC NATIONALISM MEASURES RECENTLY ANNOUNCED, AND OF COURSES OF ACTION OPEN TO USG, IN MEETING OF INTERAGENCY COORDINATING GROUP ON EXPROPRIATIONS ON MAY 30.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 126784

2. FYI: WE CONSIDER PRINCIPAL US INTERESTS AFFECTED BY

PEREZ PROPOSALS AS FOLLOWS.

A. CONTINUED ACCESS TO VENEZUELAN PETROLEUM AND IRON ORE SUPPLIES WITH ANY REDUCTIONS IN EXPORTS TO US SPREAD OVER SUFFICIENT TIME TO PERMIT EASY ADJUSTMENT.

B. AVOIDANCE OF UNILATERAL ACTIONS BY NATIONAL GOVERNMENTS (AS OPPOSED TO MUTUALLY NEGOTIATED ARRANGEMENTS) TO ABROGATE AGREEMENTS ENTERED INTO BY OUR PRIVATE INVESTORS IN GOOD FAITH.

C. FAIR TREATMENT FOR EXISTING US INVESTMENT, INCLUDING

IN THE CASE OF EXPROPRIATION, THE PAYMENT OF PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION AS REQUIRED BY INTERNATIONAL LAW.

D. A CONTINUED ROLE FOR US BUSINESS IN VENEZUELA WHICH WILL BE MUTUALLY BENEFICIAL TO BOTH COUNTRIES.

E. VENEZUELA'S COOPERATION WITH THE US IN REVITALIZING INTER-AMERICAN RELATIONS ALONG POSITIVE AND CONSTRUCTIVE LINES. END FYI.

3. WE RECOGNIZE THAT SOME VENEZUELAN ARGUE THAT THESE INTERESTS CONFLICT IN PART WITH GROWING VENEZUELAN NATIONALISM. WE RECOGNIZE ALSO THAT CARELESS ASSERTION OF OUR INTERESTS MIGHT LEAD TO A COUNTERPRODUCTIVE CONFRONTATION. AT THE SAME TIME, AS INDICATED IN REF B, WE DO NOT WANT IN ANY WAY TO GIVE GOV ERRONEOUS IMPRESSION THAT USG IS NOT CONCERNED ABOUT FAR-REACHING MEASURES ANNOUNCED BY PEREZ. OUR JUDGMENT IS THAT PEREZ RECOGNIZES THAT ANY COUNTRY'S NATIONALISM, INCLUDING OURS OR VENEZUELA'S, MUST TAKE INTO ACCOUNT THE IMPACT OF ACTIONS ON OTHER COUNTRIES. GIVEN THIS SITUATION WE BELIEVE THAT THE MOST USEFUL WAY TO SERVE US INTERESTS IS TO INITIATE A FRANK BUT CONSTRUCTIVE DIALOGUE WITH PEREZ HIMSELF, PARTICULARLY SINCE IT APPEARS THAT HE IS CALLING THE SHOTS PERSONALLY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 126784

4. YOU SHOULD NOT RPT NOT MAKE ANY REFERENCE IN YOUR DISCUSSION TO POSSIBILITY OF RETURNING HERE FOR CONSULTATIONS. THE PURPOSE OF THE MEETING WOULD BE BOTH TO EXPRESS USG INTERESTS AND CONCERN AND AT THE SAME TIME TO ELICIT FROM HIM AN INDICATION OF HOW GOV INTENDS TO IMPLEMENT MEASURES ANNOUNCED OR CONTEMPLATED WHICH AFFECT IMPORTANT US INTERESTS. YOU WILL PARTICULARLY WISH TO DETERMINE IF HE HAS THOSE INTERESTS IN MIND AND IF HE IS

LOOKING FOR MEANS TO HARMONIZE THEM WITH HIS OWN. THIS WILL HELP TO CLARIFY THE APPARENT GAP BETWEEN PEREZ' CONTINUING PUBLIC POSTURE OF AGGRESSIVE NATIONALISM AND THOSE FACTORS AND ASSURANCES WHICH APPEAR TO PROVIDE AFFECTED COMPANIES WITH BASIS FOR OPTIMISM THAT SUITABLE MODUS VIVENDI CAN BE WORKED OUT.

5. THE SUBSTANCE OF THE FOLLOWING POINTS SHOULD BE MADE DURING THE COURSE OF YOUR DISCUSSION WITH PEREZ:

A. THERE IS A LONG TRADITION OF FRIENDSHIP AND COOPERATION IN THE RELATIONS BETWEEN OUR TWO COUNTRIES; THIS EXTENDS ALSO TO THE ECONOMIC AND BUSINESS AREA. IT IS OUR VIEW THAT THIS IS AN IMPORTANT TRADITION WHICH IS

WORTH MAINTAINING BECAUSE IT CONTINUES TO SERVE THE INTERESTS OF BOTH OF OUR COUNTRIES. ITS SPIRIT IS EMBODIED IN THE NEW RELATIONSHIPS WHICH WERE DISCUSSED IN MEXICO CITY AND WASHINGTON IN TERMS OF THE INESCAPABLE INTERDEPENDENCE OF TODAY'S WORLD. IT IS EXEMPLIFIED IN TANGIBLE FORM IN THE TRADITIONAL TRADE PATTERNS BETWEEN OUR COUNTRIES.

B. BASIC TO THE PRESERVATION OF THIS KIND OF RELATIONSHIP IS THE NECESSITY TO MAINTAIN CLOSE COMMUNICATIONS BETWEEN US. THE UNITED STATES UNDERTOOK IN MEXICO CITY TO CONSULT INSOFAR AS POSSIBLE WITH THE OTHER NATIONS OF THE HEMISPHERE IN ACTIONS IT TOOK DIRECTLY AFFECTING THEIR ECONOMIES. THIS WAS NOT AN EASY COMMITMENT TO MAKE,

AND IT WILL NOT BE EASY TO MAINTAIN. OUR ABILITY TO DO SO WILL DEPEND IN NO SMALL PART ON THE OTHER NATIONS' WILLINGNESS TO APPROACH US IN THE SAME SPIRIT. THE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 126784

IMPLICATIONS OF THE ECONOMIC MEASURES RECENTLY ANNOUNCED ARE OF CONCERN TO US. THEY WILL HAVE AN IMPORTANT EFFECT ON LEGITIMATE AMERICAN INTERESTS AND WE BELIEVE IT OF PRIMARY IMPORTANCE TO INITIATE A FRANK AND OPEN DIALOGUE WITH THE GOV ON THIS SUBJECT.

C. WE NEED TO HAVE A BETTER IDEA OF WHAT THE RECENTLY ANNOUNCED MEASURES PORTEND. TO THE EXTENT THEY INVOLVE EXPROPRIATION, WE, PHILOSOPHICALLY, ARE OF THE BELIEF

THAT SUCH MEASURES CAN OFTEN BE ILL-ADVISED. NEVERTHELESS, WE RECOGNIZE THE RIGHT OF EXPROPRIATION BY SOVEREIGN NATIONS AND WE KNOW PRESIDENT PEREZ IS EQUALLY CONSCIOUS OF THE IMPORTANCE WE ATTACH TO THE PRECEPT UNDER INTERNATIONAL LAW THAT THIS CARRIES WITH IT A CON-

COMITANT OBLIGATION TO PROVIDE FAIR TREATMENT IN TERMS  
OF PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION.

D. IMPLEMENTATION OF THE MEASURES WHICH HAVE BEEN  
ANNOUNCED WILL INVOLVE NEGOTIATION BETWEEN THE GOV AND  
AMERICAN COMPANIES OF DIFFICULT AND COMPLICATED MATTERS.  
WE HOPE THAT THE GOV WILL APPROACH THEM IN A SPIRIT WHICH  
WILL PERMIT CONCLUSION OF NEW CONSENSUAL ARRANGEMENTS  
LEADING TO CONTINUATION OF CONSTRUCTIVE PARTICIPATION BY  
THESE COMPANIES IN THE VENEZUELAN ECONOMY. SISCO

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## Message Attributes

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